

STATE OF IOWA
PROPERTY ASSESSMENT APPEAL BOARD

Lloyd Hinn, Jr.,
Appellant,

v.

Hamilton County Board of Review,
Appellee.

ORDER

Docket No. 14-40-0295
Parcel No. 40882612400005

On November 25, 2014, the above-captioned appeal came on for consideration before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) (2013) and Iowa Administrative Code rules 701-71.21(1) et al. Appellant Lloyd Hinn, Jr. of HHB, Inc. Property Tax Consultants appealed on behalf of New Castle Players, LLC and requested a written consideration. Attorney Brett Ryan, Watson and Ryan, PLC, Council Bluffs, Iowa, is counsel for the Board of Review. The Appeal Board now, having examined the entire record, and being fully advised, finds:

Findings of Fact

Lloyd Hinn, Jr. protested on behalf of New Castle Players, LLC, the owner of property located at 411 Closz Drive, Webster City, Iowa. The real estate was classified commercial on the January 1, 2014, assessment and valued at \$1,574,940, representing \$134,000 in land value and \$1,440,940 in improvement value. According to the record, the subject property is operated as an Americinn hotel/motel. (Exhibit B). It is a two-story building built in 2002 with 28,818 square feet of gross building area and 52 rooms. It has typical hotel accoutrements, such as paved parking area, block walls, sheds, and signage, as well as an indoor pool and hot tub. The site is 3.52 acres.

Hinn protested to the Hamilton County Board of Review on the ground that there has been a downward change in value since the last reassessment under Iowa Code sections 441.37(1)(a)(2) and 441.35(2). The Board of Review denied the protest.

Hinn then appealed to this Board. He requests a 2014 assessment of \$1,143,031.

Hinn reports the Assessor only identified one motel sale in the area. Further, Hinn notes the Assessor indicated this sale was older and not comparable. Hinn commented on a Comfort Inn sale in Marshalltown (Exhibit C) and a smaller, older motel in Hampton. (Exhibit D). However, for various reasons, he did not believe either of these should be used as a comparable. Hinn identified a Rodeway Inn sale in Cedar Rapids (Exhibit E), which he believed was comparable. It sold for \$15,520 per room and he adjusted it by 10% for the age and location differences to arrive at an indicated value of \$887,700 for the subject property. Without more information on this property and the sales transaction, the Board cannot determine if this sale accurately reflects the subject property's fair market value.

Because the Assessor reported there were no comparable sales, Hinn decided to use the income approach to value. Hinn provided a December 2013 Smith Travel Research (STR) report for the subject property comparing its performance to like motels in the area. (Exhibit F). The competitive set used consisted of similar hotels in the Fort Dodge/Ames area with between 50 to 59 rooms. The subject's average daily rate (ADR) was \$73.87 as compared to like properties in the area with an ADR of \$85.03. (Exhibit F). Hinn opines since the subject property's ADR is \$11.16 less than its competitors, it has a lower value than its competition. He calculates this discrepancy results in approximately \$150,000 less income. The subject property's occupancy rate is 70.53% as compared to an average of 55.79%. To adjust from these differences, Hinn reduces the NOI \$204,915 by calculating and subtracting the difference between the subject's higher occupancy and the competitive set's lower occupancy. Hinn simultaneously reduced the income estimates for the subject property

when its ADR underperformed the market and also reduced the estimates when its occupancy rate outperformed the market.

Hinn relied on the Johnson County Assessor's 11.87% capitalization rate (7.90% cap rate & 3.97% mill levy), and arrives at a value of \$1,143,031 after subtracting roughly \$70,000 in FF&E value. He apparently relies on the subject property's balance sheet's depreciated book value for his estimated FF&E value. While Hinn developed a 2014 value, it is not well supported, is based on atypical methodology, and we do not rely on it. (Exhibit H). Ultimately, Hinn did not provide credible evidence of market values for the property on both January 1, 2013, and January 1, 2014, to show a change in value.

The Board of Review submitted a statement of undisputed facts and legal argument in support of its position.

Conclusions of Law

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. This Board is an agency and the provisions of the Administrative Procedure Act apply. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review, but considers only those grounds presented to or considered by the Board of Review. §§ 441.37A(3)(a); 441.37A(1)(b). New or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct. § 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

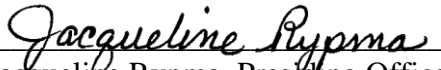
In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2). The property's assessed value shall be one hundred percent of its actual value. § 441.21(1)(a).


In a non-reassessment or "interim" year, when the value of the property has not changed, a taxpayer may challenge its assessment on the basis that there has been a downward trend in value. *Eagle Food Ctrs., Inc. v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 862 (Iowa 1993). The last unnumbered paragraph of Iowa Code section 441.37(1)(a)(2) and its reference to section 441.35(2) give rise to the claim of downward trend in value. For a taxpayer to be successful in its claim of change in value, the taxpayer must show a change in value from one year to the next; the beginning and final valuation. *Equitable Life Ins. Co. of Iowa v. Bd. of Review of the City of Des Moines*, 252 N.W.2d 449, 450 (Iowa 1997). The assessed value cannot be used for this purpose. *Id.* Essentially, it is not enough for a taxpayer to prove the last regular assessment was wrong; such a showing would be sufficient only in a year of regular assessment. *Id.* at 451.

Hinn attempted to establish the property's market value by the sales approach and the income approach to value. His sales approach relied upon a single sale and we ultimately find there was insufficient data to support his value conclusion. Similarly, Hinn's income approach does not represent the property's fair market value. Hinn failed to show the January 1, 2013, and January 1, 2014, values of the subject property. As a result, we find a preponderance of the evidence does not prove there has been a change in the value of the subject property since the last reassessment.

THE APPEAL BOARD ORDERS the 2014 assessment of the property located at 411 Closz Drive, Webster City, Iowa, is affirmed.

Dated this 26th day of December, 2014.


Jacqueline Rypma, Presiding Officer


Karen Oberman, Board Member

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